

(4) The grantee's accounting system provides a clear delineation between administrative costs and construction contractor (non-administrative) costs.

(h) HPG funds may *not* be used to:

(1) Assist in the construction or completion of an addition (excluding paragraph (c)(11) of this section) or a new dwelling. This paragraph does not apply to replacement housing.

(2) Refinance any debt or obligation of the grantee, the individual homeowner, owners of a rental property, or co-ops other than obligations incurred for eligible items covered by this section entered into after the date of agreement with the HPG grantee.

(3) Repair or rehabilitate as well as replace any property located in the Coastal Barrier Resources System.

[58 FR 21894, Apr. 26, 1993, as amended at 62 FR 26210, May 13, 1997]

#### **§ 1944.665 Supervision and inspection of work.**

Grantees are responsible for supervising all rehabilitation and repair work, as well as replacement housing financed with HPG assistance. After all HPG work has been completed, a final inspection must be done by a disinterested third party, such as local building and code enforcement officials. If there are no such officials serving the area where HPG activities will be undertaken, or if the grantee would also normally make such inspections, the grantee must use qualified contract or fee inspectors.

[58 FR 21894, Apr. 26, 1993, as amended at 62 FR 26210, May 13, 1997]

#### **§ 1944.666 Administrative activities and policies.**

Grant funds are to be used primarily for housing repair and rehabilitation activities. Use of grant funds for direct and indirect administrative costs is a secondary purpose and must not exceed 20 percent of the HPG funds awarded to the grantee.

(a) Administrative expenses may include:

(1) payment of reasonable salaries or contracts for professional, technical, and clerical staff actively assisting in the delivery of the HPG project.

(2) Payment of necessary and reasonable office expenses such as office rent-

al, supplies, utilities, telephone services, and equipment. (Any item of non-expendable personal property having a unit value of \$1,000 or more, acquired with HPG funds, will be specifically identified to FmHA or its successor agency under Public Law 103-354 in writing.)

(3) Payment of necessary and reasonable administrative costs such as workers' compensation, liability insurance, and the employer's share of Social Security and health benefits. Payments to private retirement funds are permitted if the grantee already has such a fund established and ongoing.

(4) Payment of reasonable fees for necessary training of grantee personnel.

(5) Payment of necessary and reasonable costs for an audit upon expiration of the grant agreement.

(6) Other reasonable travel and miscellaneous expenses necessary to accomplish the objectives of the specific HPG grant which were anticipated in the individual HPG grant proposal and which have been approved as eligible expenses at the time of grant approval.

(b) HPG administrative funds may *not* be used for:

(1) Preparing housing development plans and strategies except as necessary to accomplish the specific objectives of the HPG project.

(2) Substitution of any financial support previously provided or currently available from any other source.

(3) Reimbursing personnel to perform construction related to housing preservation assistance. (Non-administrative funds may be used if construction is for housing preservation assistance under the provisions of § 1944.664(g) of this subpart.

(4) Buying property of any kind from persons receiving assistance from the grantee under the terms of the HPG agreement.

(5) Paying for or reimbursing the grantee for any expense or debts incurred before FmHA or its successor agency under Public Law 103-354 executes the grant agreement.

(6) Paying any debts, expenses, or costs which should be the responsibility of the individual homeowner, owner, tenant or household member of a rental property, or owner (member)